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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

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INTERNATIONAL
SECURITY AFFAIRS

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Ambassador Elliot Richardson

Participants:

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: SEP 21 2018

Secretary of Defense - James R. Schlesinger
Ambassador to UK - Elliot Richardson
Assistant Secretary of Defense (ISA) - Robert Ellsworth
Principal Deputy Assistant Secretary of Defense (ISA) - Amos Jordan
Director, European and NATO Affairs (ISA) - MG D.P. McAuliffe, USA
Military Assistant to SecDef - MG John A. Wickham, Jr., USA
Office of Northern European Affairs, Department of State - William A. Buell, Jr.
Assistant for Northern Europe (ISA) - James H. Timberlake

Time: 1630-1720 hours, 25 May 1975

Place: Office of the Secretary of Defense, Pentagon

(U) Cooperation in R&D and Procurement. This was the only substantive issue discussed during the meeting. SecDef began his remarks by observing that the British are muddling through again. They are taking the long-term problem of greater efficiency and standardization in NATO and transmuting it into help for their balance of payments. The EuroGroup had reacted to this. If the British had been more discreet about it they could have come closer to achieving their objective. Perhaps he is unjust, but he believes the British are being shortsighted. Ambassador Richardson thought perhaps the British can cope with their short-term problems and still cooperate for the long term. It will take a lot of work, but we need to talk to them about both their short and long-term problems. It is not clear, however, what is supposed to happen next; the Ambassador said he needs to know concretely what has to be done. SecDef replied that the lack of clarity in the cables merely reflects the lack of clarity in our policy.

(U) Ambassador Richardson stated that high-level responsibility should be established in NATO and in the ministries of defense. SecDef said we must establish a permanent mechanism in the NATO structure. We must get early identification of military requirements before we get locked in. The US, for example, is bad at guns and ammunition, not very good at tanks, and is



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shocking at shipbuilding. But it is preeminent in the aircraft industry. We should buy overseas if we can get lower costs. The British have the notion that we should buy the MRCA and help them out, but that aircraft is a real dog. The US would like to introduce greater competition to get greater efficiency. But the UK is not the one to make us more competitive-- Japan and others will do that. Common European production has been a disaster. It is best when one nation produces the article. High-cost subsystems result when each nation wants part of the action. The Japanese built the F-104 at one-half the US cost, whereas the European consortium built it at two and one-half times the US cost.

⑨ Ambassador Richardson expressed surprise that SecDef would call the MRCA a dog when he had written such an eloquent cable on it. SecDef allowed that it was an elegant dog; it was, in fact, the French poodle of elegant dogs. At \$20 million a copy it was turning out to cost as much as the F-14. That poses a problem for countries that want to maintain force structures. The US has been very polite about the MRCA, but a rational decision would have kept money from being put into it.

⑨ SecDef said that Europe must get together and build itself into a sound pillar. It should not spread its R&D too thin. It is hard for Europe to compete with the US in R&D, and it should therefore concentrate on areas where the US is inefficient. When he was at the AEC, he had found the British spreading their R&D money over a number of areas of reactor research. Had they concentrated their efforts they might have developed a winner. The UK must specialize and not try and compete across the board.

⑨ SecDef agreed with Ambassador Richardson that we ought to do better in making more efficient use of our resources and getting greater standardization. That is a job of identification. Common guns and ammunition would go a long way toward achieving greater standardization. Mr. Ellsworth observed that the military penalty for failing to standardize in those areas is very severe. SecDef said that fuel is an example where one could standardize in the logistics area. Beyond that, you could have a common tank, a common fighter, common spares, and common maintenance. Much standardization can be achieved without all that much dollar procurement.

⑨ SecDef noted that the UK wants the US to buy \$1 billion more a year from Europe. That can be done. If the US buys \$1 billion more from Europe and Europe buys \$1 billion more from the US, the ratio would improve in Europe's favor. We must have a whole set of identifiable products. HARRIER is a possibility. The real market is in high density weapons systems, as, for example, APCs where 15,000 are needed. If NATO had a common APC, tank, truck, and gun, most of the standardization problem would be solved. But standardization would not solve the problem of excess capacity in Europe.

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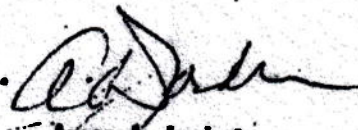
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and the US. Mr. Jordan observed that it will be more feasible to move forward in a year or two when our excess capacity is reduced. SecDef agreed and noted that swapping arrangements are a means of buying time and support. We could, for example, swap F-16s for APCs. It is an uphill fight if you make a direct buy. You have to get export industries to fight your battles if you are to import. The idea of a fund, which he had raised with Ambassador Ramsbotham, is related to swapping. It would enable us to show that we are selling as well as buying; it would help us keep score and buy political support. But the starting point is to identify areas of exchange and not to set up targets for reciprocal purchase. The latter would be far too difficult politically. You must have something to buy first, then swapping and the fund to buy it. He agreed with Ambassador Richardson that we must keep greater NATO capability through standardization and cost savings through longer production runs in the foreground. The purpose is not to improve the European balance of payments or to subsidize European inefficiency in its high technology industries. That had been the problem with Mason's presentation.

SecDef said that the real problem of interoperability arises with ground and air forces in Europe, not so much with naval forces. The US and FRG contribute the bulk of the ground forces. The UK has reduced its manpower, its procurement is small, and it is running its defense industries to sell to third countries. It cannot specialize for third country markets and get the most efficient defense. Mr. Jordan noted that NATO arrangements will have to take account of third country sales. SecDef agreed and cited the example of ROLAND, which Norway would like to buy from the US. The FRG would go along but not France. It is difficult to buy European products when the licensor refuses to permit third country sales.

Memorandum of Conversation
Prepared by:
Mr. James Timberlake

Approved by:



Amos A. Jordan
Acting Assistant Secretary of Defense
International Security Affairs

Date:

17 JUN 1978

Distribution:
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Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 21 Sep 2018 Authority: EO 13526
Declassify: X Deny in Full: _____
Declassify in Part: _____
Reason: _____
MDR: 18 -M- 2071

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: SEP 21 2018

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